



Financial Affairs Committee
November 16, 2001

1. Participants

--Ron Jacobsma, FWUA	--George Senn, CVPWA
--Russell Harrington, WWD	--Alan Thompson, EBMUD
--Lynn Hurley, SCVWD	--Anthea Hansen, Del Puerto WD (Call-in)
--Mike Hagman, TCCA	--Patti Anders, Placer County WA
--Dennis Michum (Call-in)	--Larry Bauman, BOR
--Lee Emrick, Colusa Co WD	--Mark Oosterman, SMUD
--Shelly Murphy, Colusa Co WD	--Jesus Reynoso, BOR
--Kathryn Kitchell, City of Roseville	--Martin Bauer, BOR (Call-in)

2. Opening Business

The November meeting was held in the CVPWA Office Boardroom, 1521 I Street, Sacramento. The meeting began at 9:30 a.m. and concluded at 11:30 a.m. The agenda was reviewed and approved as submitted. Russell Harrington requested another issue be placed on the agenda—Status of the BOR historical CVP water delivery/payment reconciliation effort.

The next Financial Affairs Committee meeting will be held on **December 21 at 9:30am in the CVPWA Office Boardroom, 1521 I Street, Sacramento.** A “non-working” Financial Affairs Committee meeting will be held on November 27, in conjunction with the ACWA Conference in San Diego, to brief interested CVPWA Board members, members at large, and others on the issues we have addressed during the year and those that we will be working in the upcoming year.

3. FAC Issues Matrix Status.

A. Capital Rate-setting and Cost-Recovery. Larry reported that not much has happened since the last FAC meeting. He said, however, that Reclamation is in the process of laying out a plan for completing the capital rate setting and cost recovery work. He hopes to have the plan completed by the end of next week and will present it to the issue sub-team along with other information. He has targeted the end of June 2002 as the completion date. He said the sub-team would report on its progress at the December FAC meeting.

B. PUE Issues (current and post 2004). Ron reported that Russell, Kathy, Lynn, George, Ara Azhderian, Chase Hurley, Frances Mizuno, Ed Roman, and himself met with the Reclamation and Western members of the PUE Cost Sub-allocation issues team to present, discuss, and record the interests of the water, power, Bureau, and Western stakeholders. This is the first FAC issue to be worked through with our newly acquired interest-based problem solving skills. Martin Bauer, Reclamation led the meeting. Ron said that Reclamation and Western presented their interests first followed by the power and water users. After considerable discussion, the stakeholder interests were recorded by Reclamation and will be E-mailed to the team members for their review and comment. Eventually the interests of the stakeholders will be refined and pulled together as part of the interest-based problem solving process. Martin reported on the status of the PG&E FERC 205 filing. He said that Reclamation/Western were successful in getting the FERC Administrative Law Judge to rule in favor of the Government. However, about \$1 million of the \$11 million in transmission rate increases that PG&E sought under the 205 filing will be passed on to the PUE and CVP preference power customers through 2004. Martin also reported that Reclamation/Western could become part of a municipal control area that would get them out from under the current California Independent Scheduling Operator (ISO). SMUD is currently trying to separate itself from the CA ISO and will soon be joined by a couple other CA utilities. Getting out from under the ISO control could save the CVP PUE and preference power customers about \$10 million per year.

C. Cost Recovery for CVPIA Programs and Activities. Larry reported that nothing much has been done on the issue since the last FAC meeting. He said that a small group, consisting of Brice Bledsoe, Lynn, Mark, and Ron Jacobsma, would be meeting next week (November 21, 9-4) to scope out the issue and prepare the framework for working the issue.

D. Reclamation Water Accounting Program and JAD Session. Larry reported that his staff has been inputting data into the water accounting system for the past two months. He said the BOR-WORKS water accounting program has undergone extensive in-house testing and will soon be available for use by the CVP water contractors. He said that Ron, Anthea Hansen, Tona Mederios, and Ara Azhderian participated in usability testing of the Web-enabled portion of the system on October 26 at the JAVIS Offices in Sacramento. Their testing revealed minor problems that have been corrected by JAVIS, the contractor that is developing the water accounting program. He said Reclamation is now final testing the program to ensure that all the bugs are worked out. The Reclamation Area Offices will provide BOR-WORKS web-enabled training to Authority personnel and interested water contractors sometime in January 2002. The training sessions will be held in Fresno, Folsom, and Willows and will run for 2 hours (2 or 3 times per day depending on turnout). Larry said letters were sent out to all CVP water contractors instructing them how to establish their Web-enabled water user accounts. As soon as the letters are received back from the water contractors the water user accounts will be activated. Larry commented that the water accounting system would be linked to the Reclamation financial information home page on the Internet as well as other related sites. He encouraged the group to check out the system and related Internet links and provide comments to make it better.

5. **FY 2004 Customer Budget Meetings.** Ron reported that Reclamation held its FY2004 O&M Budget Workshops in Sacramento on October 18, in Fresno on October 24, in Folsom on November 2, and in Shasta on November 5. He said that the workshops were very informative and that Roger Pollock, the Area Offices, and their staffs did an excellent job providing us with the budgetary information that we asked for. The identification of activities that are subject to reimbursability was especially helpful. He said that although we now understand the budgetary process better than we did a few years ago, we still have a way to go. He said that the FAC will be getting together with Roger and Mike Finnegan in the next few weeks to begin putting together a process for next year that will streamline the review process and provide us with ample time to review and rank the proposed budget items. Eventually we hope to be able to follow the budgeted line items through the President's Budget, into Craig Stroh's projected O&M cost allocation (Table 6), and into the rate books and eventual actual expenditures.
 6. **Historical CVP Water Delivery/Payment Reconciliation.** Larry reported that his staff has not been able to get back to the reconciliation work due to other pressing work. (See last months FAC Minutes for progress to date).
 7. **Forbearance Agreement and Water Transfer Financial Issues.** It was reported that Reclamation has scheduled a workshop for December 7 in Willows to discuss the forbearance agreement and CVP water transfer "policies". A workshop will also be held in Fresno, but the date is yet to be determined.
 8. **Draft 2002 Irrigation/M&I CVP Water Rate Review.** George reported that Reclamation provided the FAC with a draft of its 2002 Water Rates Schedules on October 10 and gave us 60 days (Dec 10) to submit any comments we might have. George provided the members with schedules comparing the projected CVP Water Marketing, Storage O&M, General and Administrative, Conveyance and Conveyance Pumping O&M expenses during the 1998 to 2002 time period that were used to develop the water rate schedules for those years. He reminded the group that we submitted questions regarding Reclamation's 2002 projected O&M costs in May and that we should refer to the Reclamation response before formulating our questions for the December submittal. He passed out copies of the FAC questions we submitted in May and the Reclamation response received in August. He requested that the group study the FAC prepared O&M expense schedules, review the Reclamation capital repayment rate schedules, and provide written comments to the CVPWA by December 5 so that they can be included in one letter to Reclamation.
8. **Reports on Ongoing FAC Interest Issues:**
- A. **Direct Funding Agreements.** Ron reported that the Authorities continue to meet with Reclamation on the service contracts and modification to the Transfer Agreement. The San Luis and Delta-Mendota Water Authority is still working on certain issues relative to the Service Contract. The Friant Water Users Authority's proposal was rejected by Reclamation as a result of the cost recovery methodology employed. The Tehama-Colusa Canal Authority is making better progress, but they are relinquishing many of the fiscal agency aspects of the Transfer Agreement. Both the SLDMWA and FWUA still have much work to do with

Reclamation on amending the Transfer Agreement.

B. Folsom South Canal Capital Cost Deferral. Alan Thompson reported that EBMUD and SMUD continue to discuss how to proceed with the Folsom South Canal Capital Cost Deferral issue, but have not reached any conclusions.